

Message Text

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ACTION L-02

INFO OCT-01 EUR-12 ISO-00 NEA-09 AID-05 CIAE-00 COME-00

EB-07 FRB-03 INR-07 NSAE-00 TRSE-00 XMB-02 OPIC-03

SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15

STR-04 CEA-01 H-02 PA-01 PRS-01 DODE-00 IO-10 MMS-01

PM-03 /103 W

----- 109833

R 301604Z APR 75

FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC 6296

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E.O. 11652: N/A

TAGS: ETRD EINV CA

SUBJECT: GOC TO INVESTIGATE CHARGES OF EDC COMPLICITY IN ARAB
BOYCOTT

REF: OTTAWA 1194

BEGIN UNCLASSIFIED

1. IN RESPONSE TO QUESTION BY LIBERAL MP HERB GRAY RE POSSIBLE
CONDONING OF ARAB BOYCOTT OF ISRAEL BY ECONOMIC DEVELOPMENT
CORPORATIN (EDC) IN FINANCING CONTRACTS FOR CANADIAN FIRMS
AGREEING TO BOYCOTT ISRAEL, ACTING PM MITCHELL SHARP TOLD
PARLIAMENT THAT ITC MINISTER GILLESPIE HAS REQUESTED EDC TO
"REVIEW ARAB BOYCOTT CLAUSES AS IT APPLIES TO BOTH INSURANCE
AND LENDING OPERATIONS".

2. FOLLOWING EXCHANGE TOOK PLACE IN HOUSE ON APRIL 28:

BEGIN QUOTE:

HON HERB GRAY: IN THE ABSENCE OF THE MINISTER OF INDUSTRY,
TRADE AND COMMERCE I HAVE A QUESTION FOR THE ACTING PRIME
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MINISTER. WILL THE GOVERNMENT HAVE THE EXPORT DEVELOPMENT

CORPORATION IMMEDIATELY STOP GUARANTEEING OR OTHERWISE FINANCING CONTRACTS INVOLVING SALES TO ARAB COUNTRIES BY CERTAIN CANADIAN FIRMS, KNOWING THAT THESE CONTRACTS CONTAIN TERMS WHEREBY THESE FIRMS AGREE TO ABIDE BY PROVISIONS OF THE ARAB BOYCOTT AND NOT TRADE WITH ISRAEL? DOES HE REALIZE THAT IF THIS IS NOT DONE IT COULD APPEAR THAT AN AGENCY OF THE FEDERAL GOVERNMENT IS CONDONING THE ACCEPTANCE OF THE ARAB BOYCOTT BY CERTAIN CANADIAN FIRMS, WHICH WOULD MAR THE GENERALLY CONSTRUCTIVE RECORD OF ACHIEVEMENT BY THE EXPORT DEVELOPMENT CORPORATION OVER THE YEARS?

HON. MITCHELL SHARP: I BEGIN BY SAYING TO MY HON. FRIEND THAT THE GOVERNMENT IS EXTREMELY CONCERNED ABOUT THIS MATTER. MY COLLEAGUE THE MINISTER OF INDUSTRY, TRADE AND COMMERCE HAS INSTRUCTED THE EXPORT DEVELOPMENT CORPORATION, IN THE CONTEXT OF ITS LEGISLATIVE MANDATE, TO REVIEW THE ARAB BOYCOTT CLAUSE AS IT APPLIES TO BOTH INSURANCE AND DIRECT LENDING OPERATIONS.END QUOTE

3. GRAY MADE INITIAL CHARGE OF EDC COMPLICITY IN ARAB BOYCOTT IN APRIL 27 SPEECH BEFORE JEWISH CONGREGATION IN TORONTO. HE CALLED ON GOC TO MAKE CLEAR STATEMENT OF POLICY ON SUBJECT AND CONTRASTED STRONG POLICY POSITION TAKEN BY PRESIDENT FORD AND OTHER U.S. AUTHORITIES AGAINST DISCRIMINATION WITH LACK OF "FIRM AND DEFINITE" STATEMENT FROM PM OR OTHER SENIOR GOC OFFICIAL.

4. GRAY ALSO URGED IMPLEMENTATION OF SECOND PHASE OF FOREIGN INVESTMENT REVIEW ACT FOR SCREENING NEW INVESTMENT IN ORDER PREVENT "ARAB INVESTMENT FUNDS ... USED AS A MEANS OF DISCRIMINATION AGAINST CANADIANS" AND THE SPEEDY ENACTMENT OF RESTRICTIVE TRADE PRACTICES LEGISLATION WHICH WOULD PREVENT "ANY FIRM OR INDIVIDUAL IN CANADA FROM ACTING IN COMPLIANCE WITH THE LAW, JUDGMENT OR POLICY DIRECTIONS OF A FOREIGN STATE".

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5. COMMENT: GRAY HAS PREVIOUSLY ATTACKED GOC ON ITS FAILURE TO IMPLEMENT FIRM SECOND PHASE AND FOR NOT YET LIMITED OFFICIAL USE

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ENACTING LEGISLATION PROHIBITING SUBSIDIARIES IN CANADA FROM COMPLIANCE WITH LAWS AND REGULATIONS OF COUNTRY OF PARENT FIRMS, WHEN SUCH LAWS AND REGULATIONS IN CONFLICT WITH GOC POLICY (E.G. CUBA TRADE). HE NOW HAS ARAB BOYCOTT ARGUMENT TO BOLSTER HIS DEMAND THAT GOC TAKE ACTION.

6. GRAY'S NEW ARAB BOGEYMAN ARGUMENT MAY PRODUCE QUICKER RESULTS THAN HIS EARLIER URGINGS. IDEA OF ARAB INVEST-

MENT POSSIBLY DISCRIMINATING AGAINST CANADIANS IN CANADA
MIGHT PRODUCE MORE IMMEDIATE GOC RESPONSE THAN HIS PREVIOUS
PRONOUNCEMENTS AGAINST U.S. ABSENTEE LANDLORDISM, AS GOC
MIGHT BE MORE KEENLY SENSITIVE TO ACCUSATION OF OFFICIALLY
CONDONING ARAB DISCRIMINATION AGAINST CANADIAN JEWS.
JOHNSON

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC COOPERATION, BOYCOTTS, CENTRAL LEGISLATURE
Control Number: n/a
Copy: SINGLE
Draft Date: 30 APR 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: MorefiRH
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975OTTAWA01597
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750152-0181
From: OTTAWA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t1975043/aaaaacqu.tel
Line Count: 121
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION L
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 OTTAWA 1194
Review Action: RELEASED, APPROVED
Review Authority: MorefiRH
Review Comment: n/a
Review Content Flags:
Review Date: 06 MAY 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <06 MAY 2003 by lzenbel0>; APPROVED <21 MAY 2003 by MorefiRH>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: GOC TO INVESTIGATE CHARGES OF EDC COMPLICITY IN ARAB BOYCOTT
TAGS: ETRD, EINV, CA, XF, IS, EDC, (GRAY, HERB)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006